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Report of the World Bank on the International Comparison Programme

Note by the Secretary-General

In accordance with a request of the Statistical Commission at its thirty-fourth session,** the Secretary-General has the honour to transmit to the Statistical Commission the report prepared by the International Comparison Programme Global Office of the World Bank. The Commission is requested to review the ongoing activities and comment on future plans.

* E/CN.3/2004/1.

** See *Official Records of the Economic and Social Council, 2003, Supplement No. 4* (E/2003/24), para. 1.

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Contents

		Paragraphs	Page
I.	Introduction	1–4	3
II.	Organizational and financial status at the regional and global levels	5–10	3
	A. International Comparison Programme Executive Board	5	3
	B. Global and regional coordinating agencies	6–8	4
	C. The Organisation for Economic Cooperation and Development and the Statistical Office of the European Communities	9	4
	D. Financial status	10	4
III.	Research and development	11–25	5
	A. International Comparison Programme Technical Advisory Group	13	5
	B. Structured product description	14–17	5
	C. International Comparison Programme handbook	18–19	6
	D. Software for collecting and processing data — the consumer price index ICP tool pack	20–22	7
	E. Purchasing power of the poor	23–24	7
	F. International Comparison Programme web site	25	8
IV.	Regional programmes	26–42	8
	A. Africa	26–30	8
	B. Asia and the Pacific	31–33	9
	C. Commonwealth of Independent States	34	9
	D. Western Asia	35–37	9
	E. Latin America and the Caribbean	38–42	10
Annexes			
I.	International Comparison Programme Executive Board members		11
II.	International Comparison Programme regional coordinators		12

I. Introduction

1. At its thirty-third session, the United Nations Statistical Commission discussed and endorsed a new strategic framework for the International Comparison Programme (ICP), including an international governance arrangement and a broad implementation plan, prepared by the World Bank. The Commission recognized the financial and in-kind support already secured as a result of a cost-sharing arrangement established by the sponsors of the Programme, and supported the launch of the new millennium round of ICP in the period from 2002 to 2005.

2. Accordingly, a consortium comprising national, regional and international agencies was founded, and an Executive Board was established. The ICP Executive Board, equivalent to a board of directors in the corporate model, is responsible for the successful implementation of the new millennium round of ICP. An international secretariat (ICP Global Office) has been set up and charged with the day-to-day management and coordination of the global programme.

3. Regional executing agencies have been established to implement and monitor the programme in their respective regions. National coordinators have been appointed in the majority of the participating countries, and preparatory work is under way for the launch of national surveys in 2004. A total of 120 countries have expressed interest in taking part, in addition to the 42 countries that are members of the Organisation for Economic Cooperation and Development (OECD) and the European Union and are taking part in the OECD/Statistical Office of the European Communities (Eurostat) comparisons. Significant progress has been made on the resource mobilization front. Over 80 per cent of the estimated total of $38 million has already been mobilized in cash and in kind. A concerted effort is under way to raise the rest with the help of the Executive Board. In the meantime, alternative cost-saving plans are being considered by the Global Office and will be presented at the next Executive Board meeting, scheduled for 10 and 11 February 2004 in Geneva. The report of the Board will be submitted to the Commission in the form of a room document.

4. The present report provides information on the status of the global and regional activities of the Programme since the last meeting of the Commission, in March 2003, and invites the Commission to review the progress that has been made to date.

II. Organizational and financial status at the regional and global levels

A. International Comparison Programme Executive Board

5. A governance structure has been established as a partnership-based programme. A consortium of national, regional and international institutions, under the auspices of a global Executive Board, coordinates the global programme. The Board is responsible for identifying priority areas, setting short- and long-term goals and overseeing the successful implementation of the Programme. The membership of the Board reflects a mixture of the main stakeholders — eminent national statisticians, experienced managers and representatives of regional and international agencies. Dennis Trewin, head of the Australian Bureau of Statistics (ABS), chairs

the Board. The Board meets twice a year, while other discussions are conducted via teleconferencing and electronic mail.

B. Global and regional coordinating agencies

6. An ICP international secretariat (Global Office) has been established and charged with the day-to-day management of the programme. On the regional fronts, coordinating agencies have been designated and mandated to coordinate and manage regional activities in their respective areas. They have subsequently established regional ICP offices headed by regional coordinators.

7. The designated regional agencies are the Asian Development Bank (ADB), with technical assistance from ABS for Asia and the Pacific region; the African Development Bank (AfDB) for Africa; the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) and Statistics Canada for the Latin America and the Caribbean region; the United Nations Economic and Social Commission for Western Asia (ESCWA) for Western Asia; and the Statistical Secretariat for the Commonwealth of Independent States (CIS) and the State Committee of the Russian Federation for Statistics (Goskomstat) for the CIS region. Regional advisory boards have been established and have been active in fund-raising activities and supporting regional agencies in the preparatory phase of the programme.

8. National coordinators have been appointed for over 100 of the participating countries, and preparatory work is under way for the launch of national surveys in 2004.

C. The Organisation for Economic Cooperation and Development and the Statistical Office of the European Communities

9. OECD and Eurostat are represented on the ICP Executive Board. The global Programme is run in close collaboration with the managers of the OECD and Eurostat programmes. The OECD and Eurostat programmes are, however, run independently of the global ICP formal management structure, and will not necessarily abide by the decisions of the Executive Board. Seventeen "ring countries", including three OECD members, have been selected to facilitate the linking of regional results and the generation of globally consistent purchasing power parity estimates.

D. Financial status

10. Although significant progress has been made on the resource mobilization front, in general the response to fund-raising efforts has not met expectations. Currently, the programme faces a shortfall of $6.8 million. A concerted effort is under way to close the gap, with the help of the Executive Board. This effort resulted in securing a grant of 3 million Canadian dollars from the Canadian International Development Agency for the Latin America and the Caribbean region, thus reducing the global gap from 8.7 to 6.8 million United States dollars. Overall, the Global Office believes that there is adequate support for the programme to

proceed to a slightly revised timetable while various options for finding the remaining funds are being investigated.

III. Research and development

11. The conduct of targeted research focusing on the collection of prices, the measurement of expenditure weights, purchasing power parities (PPP) aggregation and regional linking methods is essential for improving the quality and relevance of ICP data. Accordingly, priority has been given to two major areas. First, and of most immediate importance, is the resolution of a set of essential problems relating to the methods of developing the list of specifications, collecting price data, compiling expenditure weights and determining prices of "comparison resistant" services, such as medical services and construction projects. The second priority area is the linking of regional price parities to form international price parities and improving the quality and relevance of PPP estimates for poverty measurement and monitoring work.

12. Several workshops bringing together regional coordinators and experts have been held. The first, in Luxembourg from 24 to 28 March 2003, included representatives from all regions except Latin America. The second and third meetings took place in Washington, D.C., followed by one in Tunis in November 2003, hosted by AfDB. Together the workshops have covered the preparation of the list of products to be included in the price surveys, the requirements for national account expenditures at the basic heading level, alternative regional linking methods and the detailed work plan and timetable for regional and global activities up to the commencement of the surveys in July 2004.

A. International Comparison Programme Technical Advisory Group

13. The ICP Technical Advisory Group (TAG) had its first meeting from 19 to 21 May 2003 in Washington, D.C., to address a range of pressing technical issues. The group provided concrete recommendations that helped to guide the preparation of the ICP handbook and establish firm directions for the implementation of the Programme. TAG is scheduled to meet again in the first quarter of 2004. The purpose of the meeting is to review the overall content of draft chapters of the ICP handbook and pending substantive issues, and also to approve previously reviewed and subsequently completed chapters. TAG is also looking at a cheaper, and easier to implement, but reliable option for linking the regions. Alan Heston has been named the new chair of TAG.

B. Structured product description

14. The quality of past ICP price surveys has suffered due to inadequate documentation of product descriptions, because it either permitted comparisons of the prices of unlike items between countries or limited bilateral comparisons to identical items that may have been uncharacteristic of one or both countries. The forthcoming ICP exercise will use a more systematic, structured approach to product description, based on that used in some national statistical offices for the consumer price index.

15. The new approach, called structured product description (SPD) uses a set of price-determining characteristics for each ultimate class of product, of which there are about 800 in the ICP for household consumption expenditure. These ultimate classes are defined by a more detailed version of the international Classification of Individual Consumption According to Purpose. In the SPD for each of the roughly 800 ultimate classes, there are 5 to 20 or more variables, each of whose value defines the level of a quality dimension of that class. Some of these variables are continuous, but most are quantal, comprising several levels or varieties for each quality dimension.

16. The database formed from these structured descriptions and the prices collected for them will permit more precise matching of items between countries, and, in some cases, permit the use of statistical models to make comparisons when an exact product match is not possible. This will improve the quality of price comparisons between countries, both in comparing like with like, and in basing comparisons on a more characteristic array of product varieties for each country in the comparison.

17. The current timetable specifies 1 April 2004 as the start for the data collection. Although significant progress has been made in most regions in preparation for the price data collection for food, clothing and footwear, several of the regions will not be ready to begin it on 1 April 2004. For example, although Asia will have determined a product list by April 2004, the region still needs to do more fund-raising for the data collection work. The Africa region has the required funding, but is working on mechanisms to expedite the disbursement of funds to the countries. This will delay price collection in the region even though the product lists will be ready by April 2004. Overall, the timetable has been revised to reflect the current situation in the regions and the start date shifted to 1 July 2004, with some countries starting on 1 October 2004. The new start date will be further discussed at the Executive Board meeting scheduled for February 2004.

C. International Comparison Programme handbook

18. The ICP handbook establishes a set of principles and operational procedures, and serves as comprehensive reference material and as a step-by-step guidebook for ICP.

19. The structure, content and chapter ordering of the manual were reviewed by TAG. Priority is given to chapters necessary for conducting the first regional training workshops. The working drafts of the first five chapters, covering introduction, governance arrangement, compilation of expenditure weights, pricing concepts and preparation of SPDs, have been drafted and are accessible on the ICP web site, at http://www.worldbank.org/data/icp/index.htm. Chapters dealing with price collection for consumption goods and services and data-editing procedures are being finalized and prepared for translation. Chapters on government expenditure, capital formation, and regional linking methods have also been drafted.

D. Software for collecting and processing data — the consumer price index/ICP tool pack

20. Critical issues relating to the generation of data were identified in the report on evaluation of ICP presented to the Commission in 1999 (E/CN.3/1999/8) as being at the centre of problems with previous rounds of ICP. The primary objective of the tool pack is to improve data by building national and international data-collection and -processing capacity. Its aim is thus to strengthen key areas of data development, including by (a) supporting national price collection efforts, (b) standardizing price collection and gap-filling methods within and across countries, (c) permitting data validation through a systematic procedure as the price data are moved back and forth through a hierarchy of processing to regional and global offices, (d) ensuring data collection consistency over time and space, and (e) facilitating data archiving, analysis and dissemination.

21. The tool pack is an integrated system with two physically separate modules: the price collection module (PCM) and the administration and analysis module (AAM). The separation of the two modules facilitates easy deployment of the system in the field where only price collection is carried out, while reserving the more advanced administration and analysis module for the country management centres.

22. The beta version has been deployed and tested in 12 countries. Valuable comments and recommendations on how to enhance and simplify the system have been incorporated in the final version of PCM, which is expected to be ready by the end of February 2004, while AAM will be available for distribution by the end of March 2004. Both tools will be available in six languages. Training programmes are scheduled in February for Africa, Asia and Western Asia and in March for the CIS and Latin America and the Caribbean regions.

E. Purchasing power of the poor

23. One of the main objectives of this round is to compute poverty-specific purchasing power parities to support efforts towards meeting the Millennium Development Goals. It is believed that ICP will go a long way towards allowing more accurate estimations relating to people living in poverty, and to that end promising research is under way, with the objective of integrating poverty-specific PPPs within the mainstream of the ICP work. Professor Angus Deaton (Princeton University) is leading this effort, in close collaboration with other eminent researchers, including Professor Alan Heston (University of Pennsylvania), Professor Erwin Diewert (University of British Columbia), Professor Prasada Rao (University of Queensland) and Professor Dipankor Coondoo (Indian Statistical Institute).

24. Two pilot studies conducted in Asia and Africa suggest that poverty-specific PPPs can be generated using data from household expenditure surveys. The findings of the two studies are significant in that they provide a basis for both cross-country and intra-country poverty analysis.

F. International Comparison Programme web site

25. The ICP web site is the main source of information about the current status of the project and has recently been redesigned and upgraded in order to improve communication between the Global Office, partners and stakeholders and better disseminate news about the Programme. Among other things, the new web site features a detailed overview of ICP and PPP comparisons and the 2003-2005 global round and contains information on coverage, governance, the ICP handbook and tool pack, etc. It also provides useful links to ICP partners and the regional offices.

IV. Regional programmes

A. Africa

26. The programme in Africa is progressing well. The primary implementing agency, AfDB, has created a strong ICP unit staffed with one regional coordinator, five senior experts, five research associates and one administrative support staff member. An integrated work plan has been developed to address both the immediate objective of data collection and the longer-term goal of statistical capacity-building. Forty-nine countries have indicated their intention to take part. The countries have selected national coordinators and have prepared national implementation plans.

27. The first regional meeting was held in Addis Ababa from 19 to 23 May 2003. The main objective of the meeting was to provide a forum for heads of national statistical offices and national accounts and consumer price index (CPI) managers to discuss and agree on the implementation plan of ICP-Africa. Over 180 participants, representing participating countries and various international, regional and subregional organizations, attended the inaugural meeting.

28. Statistical assessments have been undertaken in over 44 countries, with the objective of determining the level of ICP participation — at the gross domestic product (GDP) or consumption level — and assessing technical and financial assistance needs. A comprehensive report is under preparation and will be used to design national strategies within the general framework of ICP-Africa.

29. The first meeting of the Governing Board of ICP-Africa was held in Addis Ababa on 24 July 2003. The primary objectives of the meeting were to (a) discuss the status report on activities undertaken since the establishment of the Board in December 2002, (b) consider the action plans developed by AfDB, (c) consider the resolutions of the first regional meeting of ICP-Africa, (d) discuss the preliminary findings of statistical capacity assessment undertaken in 40 countries, with the objective of identifying priority areas and setting short- and long-term goals, (e) agree on a common strategy to promote national statistical programmes and (f) consider alternative modalities for the coordination of various subregional statistical programmes in the areas of price and national accounts.

30. A regional meeting for national coordinators was convened in South Africa from 2 to 19 December 2003 to discuss financial disbursement and procurement issues, to review the first set of SPDs, covering food, clothing and footwear, and to discuss and agree on a plan of action for the compilation of expenditure weights. A

two-week regional training workshop is planned for end of March 2004, focusing on price data collection and national accounts compilation.

B. Asia and the Pacific

31. The programme in the Asia and the Pacific region is coordinated by ADB, in close cooperation with ABS and the United Nations Economic and Social Commission for Asia and the Pacific. A Regional Advisory Board consisting of representatives of regional agencies and prominent national statistical managers has been established and is actively involved in fund-raising activities. The Advisory Board met in June 2003 to discuss and comment on an implementation plan jointly developed by ADB and ABS.

32. The first regional meeting was held on 19 and 20 June 2003 with the heads of national statistical offices to discuss data requirements and resource needs of ICP-Asia and the Pacific. The regional programme will cover 23 countries, which have been divided into two groups: those measuring PPPs for the full GDP and those covering the consumption part of GDP.

33. The Asia and the Pacific region faces a serious challenge due to the $3.2 million budget shortfall. ADB is working in close collaboration with the Global Office and regional agencies to fill the gap. The Regional Advisory Board is meeting in December to address the issue and consider alternative implementation plans. The current work plan is to begin surveys of consumption items in July and at the same time to step up the fund-raising effort to mobilize additional resources for the remaining components of GDP, including government expenditure and capital formation.

C. Commonwealth of Independent States

34. The CIS region has a work plan in place and will soon start updating the product list used for its 2000 comparison. The region has considerable experience with ICP. The 2000 comparison was a joint effort between Goskomstat and the statistical committee of CIS. The region is receiving financial support from the Global Office.

D. Western Asia

35. Significant strides have been made in Western Asia, including the formation of a strong ICP team consisting of three regular full-time staff and a senior ICP consultant. Thirteen countries, including Iraq, have indicated their intention to take part.

36. The first regional workshop was conducted in Beirut from 24 to 27 June 2003. The second regional workshop is scheduled for 15 to 19 December, also in Beirut. A strategy paper has been developed to expedite and support the participation of Iraq. The meeting will address the budget shortfall facing the region. Though the shortfall is small compared with those of other regions, the regional coordinators believe that it requires immediate attention.

37. A Regional Executive Board has been established both to oversee the implementation of ICP-Western Asia and to assist ESCWA in the resource mobilization effort.

E. Latin America and the Caribbean

38. The programme in Latin America and the Caribbean is jointly coordinated and managed by ECLAC and Statistics Canada. The Canadian International Development Agency provided funding to implement the programme in 10 South American countries. A regional coordinating team consisting of ECLAC and Statistics Canada experts was formed and charged with the management of the programme.

39. Planning for the Latin American leg of ICP got under way in July 2003 with meetings for its two subregions designed to review in detail a list of goods and services for private consumption. The seminars owed a great deal to a previous initiative designed to harmonize the national CPIs of one of Latin America's subregions.

40. The objectives of the meetings were (a) to familiarize institutions participating in the programme with SPDs, (b) to agree on a calendar of bilateral visits as part of the preparations leading to the end-of-year meetings and (c) to ensure that participating countries' national accountants (who also attended the seminar) aligned their objectives and work plans with those of their counterparts working on CPI.

41. Two more seminars with the same country coverage were held in December 2003. Unlike the previous round, the seminars in question were designed to seek actual country approval for the selection of all those goods that will comprise the food group in the private consumption component of GDP. Because of previous efforts to harmonize CPI, and because of the relative homogeneity of the participating countries, the generation of an acceptable list of items for the region, one that combines both comparability and representativeness, is probably easier to achieve here than elsewhere. The success of the latest round of seminars owes much to these facts.

42. The Commission should note, however, that at the time of writing, the funding raised is insufficient to cover activities in all 26 countries of the regions that indicated their interest in taking part in the programme. In fact, serious planning at this stage covers no more than the 10 countries of South America where Spanish or Portuguese is the principal language. But a further fund-raising effort is under way to bring all interested countries into the ICP fold.

Annex I

International Comparison Programme Executive Board members

Dennis Trewin (Chair)	Australian Bureau of Statistics
Ifzal Ali	Asian Development Bank
Shaida Badiee	World Bank
Len Cook	Office for National Statistics, United Kingdom
Enrico Giovannini	Organisation for Economic Cooperation and Development
Carlos M. Jarque	Inter-American Development Bank
Henock Kifle	African Development Bank
Ben Kiregyera	Uganda Bureau of Statistics
Adarsh Kishore	Ministry of Statistics and Programme Implementation, India
Li Xiaochao	National Bureau of Statistics, China
Brian Newson	Eurostat
Koffi Nguessan	Ecole nationale supérieure de statistique et d'économie appliquée
Luis Machinea	Economic Commission for Latin America and the Caribbean
Jacob Ryten	Statistics Canada
Vladimir L. Sokolin	Goskomstat, Russian Federation
Mervat Tallawy	Economic and Social Commission for Western Asia

Annex II

International Comparison Programme regional coordinators

Latin America and the Caribbean	Hubert Escaith	Economic Commission for Latin America and the Caribbean
	Herber Camelo	Inter-American Development Bank
CIS	Vasily Kuznetsov	Goskomstat of Russia
	Yuri Ivanov	Interstate Statistical Committee of CIS
Western Asia	Mohammed Al-Badrawy	Economic and Social Commission for Western Asia
Asia Pacific	Keith Blackburn	Australian Bureau of Statistics
	Bishnu D. Pant	Asian Development Bank
Africa	Michel Mouyelo-Katoula	African Development Bank
Eurostat	Silke Stapel	
OECD	David Roberts	